IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

BISCOTTI INC.,	§	
	§	
Plaintiff,	§	Case No. 2:13-CV-01015-JRG-RSP
	§	
v.	§	
	§	
MICROSOFT CORP.,	§	
	§	
Defendant.	§	

REPORT AND RECOMMENDATION

Before the Court are two motions related to Microsoft Corporation's invalidity defenses to Biscotti Inc.'s patent infringement action: (1) Plaintiff's Motion for Summary Judgment of Improper Incorporation by Reference ("Incorporation by Reference Motion") (Dkt. No. 170); and (2) Plaintiff Biscotti Inc.'s Motion For Summary Judgment of Estoppel of Defendant Microsoft's Invalidity Art and Theories Based on a Final Written Decision in Microsoft's Inter Partes Review Petitions ("IPR Estoppel Motion") (Dkt. No. 171). The Court RECOMMENDS denying the Incorporation by Reference Motion and granting-in-part the IPR Estoppel Motion.

BACKGROUND

On November 26, 2013, Biscotti Inc. ("Biscotti") filed this action against Microsoft Corporation ("Microsoft"), alleging that Microsoft's Xbox One and related services, including Xbox Live, are covered by U.S. Patent No. 8,144,182 ("the '182 patent"). *See* Compl. ¶¶ 3, 5, Dkt. No. 1. The '182 patent generally relates to video calling solutions. *See, e.g.*, '182 patent at 2:10. The patent describes various embodiments, including a video calling device situated "functionally inline between a set-top box ('STB') and a television set." *Id.*at 2:11-12. According to the '182 patent, the video calling solutions provide "high performance, high-definition video quality, simplified installation . . . and/or the ability to enjoy video calling in an all inclusive, comfortable environment, such as a family room, den, or media room." *Id.* at 2:15-19.

The '182 patent is assigned to Biscotti, a company headquartered in McKinney, Texas, that designs, manufactures, and sells video conferencing products that practice the '182 patent. *See, e.g.*, Dkt. No. 70 at 1-2. The '182 patent names Dr. Mathew Shoemake, Biscotti's founder, and Dr. Nadeem Ahmed as inventors. Drs. Shoemake and Ahmed founded Biscotti in May 2008, launched their first at-home video conference product, "the Biscotti," in November 2011, and obtained the '182 patent in March 27, 2012. *See, e.g., id.*; '182 patent.

After Biscotti filed this action alleging that Microsoft infringes the '182 patent, Microsoft began petitioning the Patent Trial and Appeal Board (PTAB) for inter partes review (IPR) of the asserted '182 patent claims. The parties jointly requested that the patent infringement action be stayed pending IPR, and the Court granted the parties' request. Dkt. Nos. 88, 89. Microsoft's first three petitions, filed in September 2014, collectively resulted in the PTAB instituting IPR of 31 of the '182 patent's 53 total claims and declining to institute IPR of the remaining 22 claims. *See* Dkt. No. 98 at 1-2 (Joint Status Report).

Microsoft filed three more petitions in April 2015, "in an attempt to resolve challenges identified with some of the claims on which the PTO declined to institute." Dkt. No. 98 at 2. These petitions, however, came more than one year after Biscotti initiated its district court action. The PTAB refused to join the April 2015 with the September 2014 petitions, and therefore time-barred the April 2015 petitions. *See* 35 U.S.C. § 315(b) ("An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent."); Dkt. No. 98.

On May 17, 2016, after a full trial on the merits, the PTAB upheld the patentability of each challenged claim of the ’182 patent for which IPR was instituted, i.e., 31 of the ’182 patent’s 53 claims. Biscotti did not amend claims during the process. Dkt. No. 98 at 2. The Court thereafter lifted the stay and scheduled trial for the week of June 5, 2017.

Biscotti moves for partial summary judgment on two matters related to Microsoft’s invalidity defenses under 35 U.S.C. §§ 102 and 103. Biscotti’s Incorporation by Reference Motion relates to whether one of Microsoft’s prior art references, a prior art document that appears to have been the central subject of IPR proceedings, properly incorporates another document by reference for purposes of anticipation. *See* Dkt. No. 170. Biscotti’s IPR Estoppel Motion relates to the extent to which Microsoft’s IPR campaign should prevent Microsoft from presenting the same or similar invalidity defenses under §§ 102 and 103 at trial.

DISCUSSION

A. Biscotti’s Incorporation by Reference Motion

Microsoft contends that U.S. Patent No. 7,907,164 (“Kenoyer”) anticipates certain asserted claims. To show that Kenoyer discloses each element of the claims, Microsoft’s expert, Dr. Michael Orchard, relies on six patent applications that Kenoyer allegedly incorporates by reference. Kenoyer introduces two of the six patent applications in the beginning of the specification, identifying the applications by Serial Number, title, and inventor, and stating that each application is “hereby incorporated by reference in its entirety as though fully and completely set forth herein.” Kenoyer at 1:5-17. Kenoyer introduces the remaining four applications in a section titled “Incorporation by Reference,” again stating that each application is “hereby incorporated by reference in its entirety as though fully and completely set forth herein.” *Id.* at 3:35-6. Only one of the six applications is mentioned in the specification again; Kenoyer refers to this application for a disclosure of a codec that can implement a transcoder, again stating that the application is "hereby incorporated by reference in its entirety as though fully and completely set forth herein." *Id.* at 8:4-9.

Biscotti argues that "the law requires a specific statement incorporating specific material for the incorporation by reference doctrine to apply." Dkt. No. 170 at 1. Because Kenoyer does not provide the requisite specificity, according to Biscotti, "Microsoft is left essentially trying to re-characterize a six-way obviousness combination of distinct prior art references as 'anticipation.'" *Id.* Microsoft contends, on the other hand, that "a reasonably skilled artisan would be able to deduce from the language of Kenoyer that it aims to incorporate the entirety of the six patent applications." Dkt. No. 179 at 2.

"[I]nvalidity by anticipation requires that the four corners of a single, prior art document describe every element of the claimed invention, either expressly or inherently, such that a person of ordinary skill in the art could practice the invention without undue experimentation." *Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1272, 1282 (Fed. Cir. 2000). "Material not explicitly contained in the single, prior art document may still be considered for purposes of anticipation if that material is incorporated by reference into the document." *Id.* Proper incorporation by reference requires that the host document identify with "detailed particularity what specific material it incorporates and clearly indicate where that material is found in the various documents." *Id.* Whether a host document incorporates material by reference is purely a question of law. *Id.* at 1283.

Cases addressing the incorporation by reference doctrine fall into three categories. First are cases in which a host document's reference to another document was not sufficient to incorporate the other document by reference. In *Commonwealth Scientific and Industrial Research*

Organisation v. Buffalo Technology (USA), Inc., for example, a host document's "footnote citation, without comment," to another reference did not qualify as an "incorporation of any or all of the information from the [other reference] under the standard set forth in *Advanced Display Systems*." 542 F.3d 1363, 1372 (Fed. Cir. 2008). At most, the footnote citation "could provide a justification for combining the references for obviousness purposes." *Id.*

Second are cases in which a host document describes and incorporates specific subject matter by reference. In *Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, for example, the Federal Circuit addressed whether a host prior art document effectively incorporated another document (Choi) by reference. 838 F.3d 1236, 1248 (Fed. Cir. 2016). Two paragraphs in the host document were at issue. *Id.* The first referenced specific subject matter: "The tie-bar nuts can be secured . . . by any appropriate mechanism, such as the pineapple and toothed-ring mechanism described in [Choi]." *Id.* (quoting host document ¶ 35). The second was more general: "All cross-referenced patents and application[s] referred to in this specification are hereby incorporated by reference." *Id.* (quoting host document ¶ 49). The court held that the two paragraphs "work in concert to incorporate at least some portions of Choi," and that it was not necessary to decide whether the second paragraph "in fact incorporates the rest of Choi, i.e., in its entirety." *Id.* at 1249; *see also Callaway Golf Co. v. Acushnet Co.*, 576 F.3d 1331, 1347 (Fed. Cir. 2009) (holding that specific subject matter was incorporated).

The third category includes cases in which the court confronted wholesale incorporation—whether a host document incorporates the entirety of another document by reference. If the host document limits the statement of incorporation to particular details of another document, the Federal Circuit has limited the incorporated material to those particular details. The host prior art document in *Zenon Environmental, Inc. v. U.S. Filter Corp.*, for example, stated that "[f]urther *details relating to the construction and deployment of a most preferred skein* are found in [other documents], *the relevant disclosures of each of which are included by reference* thereto as if fully set forth herein." 506 F.3d 1370, 1379 (Fed. Cir. 2007) (quoting host document at 2:30-36). The court was not persuaded that this "language incorporates by reference the entire disclosures of the [other documents]" because "[t]he plain language limits the incorporation to only relevant disclosures of the patents, indicating that the disclosures are not being incorporated in their entirety." *Id.*

By contrast, the Federal Circuit has found a blanket statement incorporating an entire document by reference sufficient. In *Harari v. Lee*, the host patent application stated that "*[t]he disclosures of the two applications are hereby incorporate[d] by reference.* 656 F.3d 1331, 1335 (Fed. Cir. 2011) (quoting host document). The application later contained a narrower passage: "*Relevant portions the disclosures are hereby incorporated by reference*." *Id.* The court held that "the broad and unequivocal language" in "the first incorporation passage incorporates the entire disclosures of the two applications rather than just the [limited] portions described" in the narrower passage. *Id.* As for the effect of the narrower passage, the court explained that "[w]hile it may seem redundant, nothing prevents a patent drafter from later incorporating again certain 'relevant portions' of an application so as to direct the reader to the exact portion of the incorporated document the drafter believes relevant." *Id.* at 1336.

Harari is most relevant to this case. Kenoyer includes six broad and unequivocal statements of incorporation—stating that each application is "hereby incorporated by reference in its entirety as though fully and completely set forth herein." '164 patent 1:5-17; 3:35-6. For the same reasons articulated by the court in *Harari*, Kenoyer's later more specific reference to particular details of one of the applications does not limit the earlier blanket incorporation statements. *See id.* 8:4-9. Unlike cases such as *Zenon*, Kenoyer does not limit the incorporated material to particular details of the six applications.

Harari would be indistinguishable if it were not for the fact that *Harari* addressed the sufficiency of an incorporation by reference statement in the context of written description, rather than in the context of anticipation. *See* 656 F.3d at 1335-36. The incorporation by reference doctrine, however, does not vary across different applications of the doctrine. *Apple, Inc. v. Samsung Elecs. Co.*, No. 12-CV-00630, 2014 WL 252045, at *21-23 (N.D. Cal. Jan. 21, 2014) (citing *Northrup Grumman Info. Tech., Inc. v. United States*, 535 F.3d 1339, 1344 (Fed. Cir. 2008)). "Instead, the Federal Circuit treats incorporation by reference as a question of law and a 'separate inquir[y]' from the fact issue of anticipation." *Id.* at *22. It is true that the patent applicant's burden in *Harari* of satisfying the written description requirement was different than Microsoft's burden of showing anticipation by clear and convincing evidence, but the clear and convincing standard "does not apply to whether a prior art document incorporates another by reference." *Apple*, 2014 WL 252045, at *22 (citing *Microsoft Corp. v. I4I Ltd. P'ship*, 564 U.S. 91, 115 (2011) ("By preventing the 'clear and convincing' standard from roaming outside its fact-related reservation, courts can increase the likelihood that discoveries or inventions will not receive legal protection where none is due.'").

Biscotti attempts to cabin *Harari* in a footnote at the end of its brief. Biscotti argues that "[t]he incorporating statement in *Harari* . . . is readily distinguishable from the '238 incorporating statement" because "[i]n *Harari*, the patentee specifically identified 'optimized erase implementations' as the material to be incorporated, whereas in Kenoyer, the patentee the simply sought to incorporate the entire disclosure of a 'transcoder'—the subject matter of the entire '238 application." Dkt. No. 170 at 7. As Microsoft points out, however, the court's holding in *Harari* is clear: the host patent application incorporated the entire disclosure of the referenced documents. *See* 656 F.3d at 1335 ("We nonetheless conclude that the entire '579 application disclosure was incorporated by the broad and unequivocal language: 'The disclosures of the two applications are hereby incorporate[d] by reference."). Accordingly, because Kenoyer adequately incorporates the entirety of the patent applications by reference, Biscotti's Incorporation by Reference Motion should be denied.

B. Biscotti's IPR Estoppel Motion

Biscotti's IPR Estoppel Motion largely raises a legal issue, namely the extent to which Microsoft's IPR campaign should estop Microsoft from raising certain invalidity defenses at trial.

1. Scope of IPR Estoppel

After a final IPR decision from the PTAB, "the real party in interest or privy of the petitioner" is barred from later asserting in district court that a claim challenged in IPR is "invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review." 35 U.S.C. § 315(e)(2). The legislative history of this provision suggests that Congress intended to prevent the same party from challenging the validity of the same patent twice, at least based on patents or printed publications that the PTAB considered. *See Hr'g on H.R. 1249 before the Subcomm. On Intell. Prop., Competition and the Internet of the House Comm. On the Judiciary*, 112th Cong. (2011) (statement of David Kappos, then-Director of the USPTO, "Those estoppel provisions mean that your patent is largely unchallengeable by the same party."). One Senator characterized the purpose as "ensur[ing] that if an *inter partes* review is instituted while litigation is pending, that review will completely substitute for at least the patents-and-printed-publications portion of the civil litigation." 157 Cong. Rec. S1360-94 (daily ed. Mar. 8, 2011) (statement of Sen. Grassley).

Two decisions from the Federal Circuit have interpreted the IPR estoppel provisions more narrowly. In *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, the patent challenger petitioned for a writ of mandamus to instruct the PTAB to reevaluate a redundancy decision because, as the patent challenger argued, the PTAB's redundancy decision would result in estoppel under § 315(e)(2). 817 F.3d 1293, 1300 (Fed. Cir. 2016), *cert. denied*, (U.S. Oct. 31, 2016). The Federal Circuit denied the petition, foreshadowing that the PTAB's redundancy decision would *not* result in estoppel because the petitioner could not have raised a redundant ground "*during* the IPR." *Id.* (quoting § 315(e)(2)). In interpreting the analogous estoppel provision that applies to Patent Office proceedings, § 315(e)(1), *HP Inc. v. MPHJ Technology Inv., LLC*, concluded that "noninstituted [redundant] grounds do not become a part of the IPR." 817 F.3d 1339, 1347 (Fed. Cir. 2016) (citing *Shaw*, 817 F.3d at 1299-1300).[1]

a) Competing Interpretations of *Shaw* and *HP*

Shaw and *HP* can be read in different ways. The broad interpretation suggests that any ground not raised *during* post-institution IPR proceedings—regardless of whether that ground was included in the petition or not—is exempt from estoppel. This interpretation follows from the Federal Circuit's discussion of the text of the estoppel provisions. Namely, the phrase "during that inter partes review" in § 315(e), according to *Shaw*, suggests that if a ground of unpatentability was not raised in the post-institution phase of the IPR proceeding, estoppel does not apply:

> Both parts of § 315(e) create estoppel for arguments "on any ground that the petitioner raised or reasonably could have raised during that inter partes review." Shaw raised its Payne-based ground in its petition for IPR. [T]he PTO denied the petition as to that ground,

[1] If not for the decision in *HP* interpreting § 315(e)(1), Shaw's foreshadowing of IPR estoppel effects could be characterized entirely as dicta—the only question before the *Shaw* court was whether the extraordinary writ of mandamus was appropriate. *See Shaw*, 817 F.3d at 1305 (Reyna, J., concurring) ("Nor is it for us to decide [whether estoppel applies] in the first instance, despite the invitation from Shaw Industries, because the issue is not properly before us.").

> thus no IPR was instituted on that ground. The IPR does not begin until it is instituted.

Shaw, 817 F.3d at 1300. Although it is not clear from § 315(e)'s text that "inter partes review" necessarily includes only the post-institution portion of the IPR, as opposed to also including the petition phase, some courts appear to have literally applied the Federal Circuit's discussion in *Shaw* and exempted any ground from § 315(e) not raised during the post-institution phase of the IPR. *See Verinata Health, Inc. v. Ariosa Diagnostics, Inc.*, No. 12-CV-05501-SI, 2017 WL 235048, at *3 (N.D. Cal. Jan. 19, 2017) ("[T]he Federal Circuit did not limit its decision in *Shaw* as plaintiffs suggest. The court chose instead to interpret the IPR estoppel language literally, plainly stating that only arguments raised or that reasonably could have been raised during IPR are subject to estoppel.") (collecting cases) (citing *Shaw*, 817 F.3d at 1300).

This broad reading of *Shaw* and *HP* has prompted increasing concern in the trial courts. First, limiting § 315(e)'s estoppel provisions to only those grounds raised during the post-institution phase of the IPR protracts litigation concerning the validity of the asserted patent. As one district court explained,

> *Shaw*'s narrow view of § 315(e) estoppel undermines the purported efficiency of IPR, especially if it were applied to allow post-IPR assertion of non-petitioned grounds, as Meyer proposes. Under this approach, IPR is not an alternative to litigating validity in the district court, it is an additional step in the process. This case, for example, was filed in December 2014, and it was set for trial in September 2016. Here it is April 2017, and the case is back before this court, and it is not at all clear that the issues have been meaningfully narrowed. Meyer now contends that it should be able to press essentially all its invalidity case, save for the three grounds actually decided in the IPR. The court rejects Meyer's position, at least as it applies to non-petitioned grounds.

Douglas Dynamics, LLC v. Meyer Prod. LLC, No. 14-CV-886-JDP, 2017 WL 1382556, at *4 (W.D. Wis. Apr. 18, 2017). The same could be said of this case, which was filed in 2013, and after Microsoft's entirely unsuccessful IPR campaign involving *six* different IPR petitions, Microsoft has returned to the Court in 2017 hoping to continue litigating invalidity arguments similar to those that it litigated (and lost) at the PTAB.

Second, as this Court has explained, broadly excusing patent challengers from IPR estoppel in cases emerging from the PTAB presents other difficulties:

> IPR petitioners dissatisfied with a PTAB decision affirming the patentability of claims are returning to the Court with invalidity challenges under §§ 102 and 103 based on prior art that was originally included in invalidity contentions but not included in an IPR petition, accompanied by requests that invalidity contentions be amended to include additional prior art. The prior art is often similar if not identical to the prior art raised in the IPR petition, albeit under a different name. Such cases require the Court to decide whether to allow amendment to invalidity contentions and whether IPR estoppel should apply. If estoppel is ultimately determined not to apply, then the parties must relitigate the very invalidity issues that the AIA was designed to streamline. Accordingly, the question of issue simplification in a case emerging from IPR with claims withstanding challenge depends on whether the Court will be required to assess the uncertain scope of IPR estoppel, and whether the parties will be required to relitigate invalidity issues already litigated at the PTAB.

Infernal Tech., LLC v. Electronic Arts, Inc., Case No. 2:15-CV-1523-JRG-RSP, Dkt. No. 120 at 6 (E.D. Tex. Nov. 21, 2016). In fact, the increasing complexity has led this Court and other courts to question whether a district court action should be stayed pending IPR at all. *See, e.g.*, *Depomed, Inc. v. Purdue Pharma LP*, Case No. 3-13-cv-00571, Dkt. 238 at 24 (D.N.J. November 4, 2016) ("[T]the post IPR viability of Purdue's §§ 102 and 103 defenses in light of the Federal Circuit's decisions in *Synopsys* and *Shaw* may impact the Court's decisions going forward regarding whether matters should be stayed pending IPR.").

The narrower interpretation is that only grounds *raised* in a petition but not instituted for procedural reasons (such as redundancy) are exempt from estoppel. This interpretation would cabin *Shaw* and *HP* to their facts, where a party raises a ground in a petition but the PTAB procedurally declines to institute IPR on that ground and rather institutes IPR on different grounds.

Such an interpretation is consistent with due process—if the petitioner tries to raise a ground but is precluded from further pursuing that ground during subsequent IPR proceedings solely because of PTAB procedures, then the petitioner should not be barred from asserting the merits of that same ground in a later PTAB or district court proceeding. *See Douglas Dynamics,* 2017 WL 1382556, at *4 ("[T]he petitioner is entitled to meaningful judicial review of every invalidity ground presented, if not in the IPR, then in the district court.").

If, on the other hand, the petitioner simply does not include a prior art reference in the petition that reasonably could have been included, the petitioner should be estopped from asserting that reference in a subsequent proceeding. Such a result would be consistent with the purpose and legislative history of the America Invents Act (AIA). Indeed, the result would be consistent with the word "reasonably" in the text of the estoppel provision itself. *See, e.g.*, 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Senator Jon Kyl) ("Adding the modifier 'reasonably' ensures that could-have-raised estoppel extends only to that prior art which a skilled searcher conducting a diligent search reasonably could have been expected to discover.").

Finally, the narrow interpretation would be consistent with the circumstances before the Federal Circuit in *Shaw* and *HP*, i.e., the denial of institution based on redundancy, a purely procedural reason. The inability of a petitioner to obtain administrative or judicial review because of a procedural decision of the PTAB is different than preventing a patent challenger's second chance at invalidity when it chose the IPR route but decided not to include certain grounds in its IPR petition(s). *See Douglas Dynamics,* 2017 WL 1382556, at *4 ("A patent infringement defendant does not have to take the IPR option; it can get a full hearing of its validity challenge in district court. If the defendant pursues the IPR option, it cannot expect to hold a second-string invalidity case in reserve in case the IPR does not go defendant's way.").

b) The Court's Interpretation of § 315(e)(2) in view of *Shaw* and *HP*

The Court recommends adopting the narrow view of *Shaw* and *HP*, consistent with *Douglas Dynamics*, 2017 WL 1382556, at *4, and other similar decisions. *See, e.g., Intellectual Ventures I LLC v. Toshiba Corp.*, Case No. 13-CV-00453-SLR, Dkt. No. 559 at 26-27 (D. Del. Dec. 19, 2016). Namely, the Court reads *Shaw* and *HP* to exempt an IPR petitioner from § 315(e)'s estoppel provision only if the PTAB precludes the petitioner from raising a ground during the IPR proceeding for purely procedural reasons, such as redundancy. This interpretation is consistent with the narrow circumstances before the Federal Circuit in *Shaw* and *HP*. *See Douglas Dynamics*, 2017 WL 1382556, at *3-4.

2. Application of § 315(e)(2)

The contours of the Court's recommendation should be apparent. Section 315(e) estops Microsoft from asserting at trial: (1) grounds for which the PTAB instituted IPR and determined those grounds to be insufficient to establish unpatentability after a trial on the merits; (2) grounds included in a petition but determined by the PTAB to not establish a reasonable likelihood of unpatentability (in other words, administrative review on the merits of a ground); and (3) grounds not included in a petition that a "skilled searcher conducting a diligent search reasonably could have been expected to discover." *See, e.g.*, 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Senator Jon Kyl); *see also Clearlamp, LLC v. LKQ Corp.*, No. 12 C 2533, 2016 WL 4734389, at *9 (N.D. Ill. Mar. 18, 2016) (adopting the skilled searcher standard). As for the third category, the Court agrees with the Delaware court when it remarked, "extending [*Shaw*'s] logic to prior art references that were never presented to the PTAB at all (despite their public nature) confounds the very purpose of this parallel administrative proceeding . . . ." *Intellectual Ventures I*, Case No. 13-CV-00453-SLR, Dkt. No. 559 at 26-27. Finally, Microsoft is not estopped from asserting grounds included in a petition but which the PTAB found redundant or declined to institute review for another procedural reason. *See Shaw*, 817 F.3d at 1300; *HP*, 817 F.3d at 1347.

a) "Subsets" of Invalidity Grounds Subject to Estoppel

Biscotti argues that Microsoft should be estopped from asserting invalidity arguments based on a subset of the grounds "assessed and rejected by the PTAB." Dkt. No. 171 at 8. Biscotti cites *Verinata Health*, 2017 WL 235048, at *4, to support this argument. The court in *Verinata Health* concluded that "defendants raised, or could have raised," a certain combination of obviousness references during IPR proceedings because the asserted combination "is simply a subset of the instituted grounds." *Id.* Specifically, the PTAB had instituted review based on "Shoemaker, Dhallan, and Binladen," and the court applied estoppel to the combination of "Dhallan and Binladen," i.e., a subset of the larger combination. *Id.*

The Court recommends the same standard be applied here. For example, the PTAB instituted IPR of claim 36 of the '182 patent under § 103(a) based on the combination of Kenoyer, Briere, and Hurley. *See* IPR2014-1457. Microsoft should be estopped from asserting Kenoyer and Briere as a basis for obviousness at trial because Microsoft raised or could have raised this combination during IPR proceedings. Similarly, Microsoft should be estopped from asserting Kenoyer *alone* as a basis for finding claim 36 obvious because Kenoyer is a subset of Kenoyer, Briere, and Hurley. This portion of the recommendation, however, extends only to *subsets* of invalidity grounds that Microsoft raised or reasonably could have raised during IPR proceedings. To the extent Microsoft's requested relief is inconsistent with this conclusion, the Court recommends that such relief be denied.

b) System Prior Art

Finally, Biscotti argues that Microsoft intends to assert certain systems as prior art to the asserted claims, yet Biscotti characterizes this system prior art as printed subject matter in disguise, i.e., subject matter that could have been raised during IPR proceedings. *See* Dkt. No. 171 at 3. IPR is limited to invalidity grounds "that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications." 35 U.S.C. § 311(b). Microsoft therefore could not have raised a prior art "system" during IPR proceedings. If, however, Microsoft's purported system prior art relies on or is based on patents or printed publications that Microsoft would otherwise be estopped from pursuing at trial, e.g., patents or printed publications that a "skilled searcher conducting a diligent search reasonably could have been expected to discover," then Microsoft should be estopped from presenting those patents and printed publications at trial.

CONCLUSION

For the foregoing reasons, the Court **RECOMMENDS**: (1) Biscotti's Incorporation by Reference Motion (Dkt. No. 170) be denied; and (2) Biscotti's IPR Estoppel Motion (Dkt. No. 171) be granted-in-part, consistent with the principles explained above.[2]

SIGNED this 11th day of May, 2017.

ROY S. PAYNE
UNITED STATES MAGISTRATE JUDGE

[2] A party's failure to file written objections to the findings, conclusions, and recommendations contained in this report within fourteen days from the entry of this Order shall bar that party from de novo review by the district judge of those findings, conclusions, and recommendations and, except on grounds of plain error, from appellate review of unobjected-to factual findings and legal conclusions accepted and adopted by the district court. Fed. R. Civ. P. 72(b)(2); *see Douglass v. United Servs. Auto. Ass'n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (en banc).